

# Multiple Family Housing Property Tax Exemption Program

SMC 8.15 and RCW 84.14



## ECONOMIC DEVELOPMENT DIVISION – BUSINESS & DEVELOPMENT SERVICES

The City of Spokane adopted the 'Multiple Family Housing Property Tax Exemption Program' in March of 2000 in order to encourage more multi-family residential housing opportunities, including affordable housing opportunities, within the City. To accomplish this goal, the City of Spokane offers a partial property tax exemption to eligible property owners who construct new multi-family housing or rehabilitate existing vacant and underutilized buildings for multi-family housing in specific targeted urban centers of the City. Under this incentive, the land is fully taxed but the value of new improvements related to housing is exempt from property taxes. The exemption period is 8 years for market rate projects, and 12 years for projects that price at least 20% of the units to be affordable for low to moderate income households. A map on the back shows the areas where this program applies.

### Program Highlights

This program applies to construction or rehabilitation of 4 or more dwelling units in one building on one parcel. The program may also be used for rehabilitation of existing multi-family housing that is in "non-compliance" with one or more standards of the building or housing codes. Work must be completed within 3 years of the date of the Conditional Certificate of Acceptance of Tax Exemption. The tax exemption begins January 1 of the year following the calendar year in which the Final Certificate of Tax Exemption is issued, and runs for 8 or 12 years. An application for this tax exemption program must be submitted before an application for building or other construction permits.

### Where are the Target Areas?

A property owner within a designated "residential target area" can apply for the property tax exemption. The City Council has designated three residential target areas:

1. Central Business District
2. Browne's Addition/Peaceful Valley
3. Centers and Corridors

To view all residential target areas in Spokane, see the map on the back of this flyer or use the public access computers at the permit counter in City Hall, 3<sup>rd</sup> floor.

**1. Central Business District:** This area includes all CBD-zoned parcels where multi-family housing is an allowed use. It also includes any parcel within one-half mile of a CBD-zone boundary provided that the parcel's zoning designation allows for multi-family development, with the exclusion of parcels

not otherwise designated as a target area that lie north of I-90 and south of the Spokane River to the west of the Central Business District.

**2. Browne's Addition/Peaceful Valley:** This includes only a small area on the north side of Riverside Ave. where these two neighborhoods meet, between Spruce Street and the Maple Street Bridge. (See map for details.)

**3. Centers and Corridors Zones:** This area includes all CC-zoned parcels as well as any parcel within 300' of a CC zone boundary provided that the parcel's zoning designation allows for multi-family development. (However, in the North Indian Trail neighborhood center, the target area includes only the CC-zoned parcels and any RMF or RHD-zoned parcel within 300' of a CC zone.) Also, projects in CC3 zones must be developed consistent with the design standards outlined for CC1 zones in *Initial Design Standards and Guidelines for Centers and Corridors*.

### Who Is Eligible?

To be eligible for a partial property tax exemption under this program, the property must satisfy all of the relevant requirements, as follows:

- ◆ Located in a residential targeted area in an urban center.
- ◆ The multi-family project must consist of at least 4 dwelling units, either within a solely residential structure or as part of a mixed use development in which at least 50% of the space within the development is intended for permanent residential occupancy.

- ◆ New construction, or conversion of non-residential space: A minimum of 4 new dwelling units must be created.
- ◆ Rehabilitation or demolition in preparation for new construction: The residential portion must fail to comply with one or more standards of the building codes, and the project must achieve substantial compliance with the applicable standards.
- ◆ If existing multi-family housing is occupied, the project must add a minimum of 4 dwelling units. Also, the applicant must provide each existing tenant with housing of comparable size, quality and price and a reasonable opportunity to relocate.
- ◆ If the multi-family property has been vacant for 12 or more months, the project must rehabilitate at least 4 of the existing dwelling units but does not have to provide additional multi-family units.
- ◆ If the multi-family structure has not been vacant for 12 months, the project must rehabilitate all the existing structures *and* create 4 additional units.
- ◆ Eligible market rate projects get 8 years of partial tax exemption. In order to qualify for 12 years of partial tax exemption, at least 20% of the units in a project must be rented or sold for a price affordable to low ( $\leq 80\%$  AMI) or moderate (80-115% AMI) income households. Projects intended solely for owner occupancy need only target 20% of the units to moderate-income households.
- ◆ “Affordable” housing means that housing costs (including utilities other than telephone) should not exceed 30% of the occupant’s monthly income.
- ◆ The project must comply with all applicable zoning requirements, design review requirements, land use regulations, and building and housing code requirements at the time of new construction, rehabilitation or conversion.

The approval process occurs in two stages. The first is the issuance of a Conditional Certificate of Tax Exemption and the second is the issuance of a Final Certificate of Tax Exemption. These stages are broken down into individual steps as follows:

<u>Approval Process</u>	<u>Department</u>
• Code Non-compliance.....	Building Official, Fire Marshall, or Code Enforcement
• Application for Conditional Certificate.....	Development Incentives
• Building Permit.....	Building Department
• Resolution.....	City Council
• Agreement [the contract]	Mayor’s Office
• Conditional Certificate.....	Mayor’s Office
• Certificate of Occupancy...	Building Department
• Application for Final Certificate.....	Development Incentives
• Partial Tax Exemption.....	Assessor’s Office

### Step 1: Code Noncompliance

If the proposal includes rehabilitation or demolition in preparation for new construction, the applicant must obtain a letter from the City of Spokane Building Official, Fire Marshall or Code Enforcement regarding the noncompliance of the residential units. The noncompliance of the units may range from insufficient or dangerous electrical wiring, plumbing, structural damage or other areas that the Building Official deems in noncompliance with the Uniform Building and Fire Codes.

### Step 2: Application - Conditional Certificate of Tax Exemption

The application must be submitted by the property owner, on forms available from the Development Incentives Department, and be accompanied by the application fee. The application for a multi-family tax exemption must be submitted before any application for building or construction permit is submitted.

Once submitted, the Director of Development Incentives has 28 days to review the application and either accept it as complete or notify the applicant, in writing, that additional information is required. If additional information is required, the Director of Development Incentives will have an additional 28 days to review the information after submission. If the Director does not respond within 28 days, the application is deemed complete. *Within 60 days of the application being determined to be complete, the Director will approve or deny the application.*

If the application is denied, the applicant will be notified in writing within 10 days of the decision. The applicant may appeal that decision following the timeframes outlined under the “appeals” portion of this handout.

### When Are These Applications Accepted?

An application for a multi-family housing property tax exemption may be submitted at any time of the year.

### Application Materials and Steps

Application for the multi-family housing tax exemption is made through the City of Spokane using the application forms available from the Development Incentives Department located on the 3<sup>rd</sup> floor of City Hall. The application includes:

- ◆ Application for Tax Exemption, including
  - Description of Project
  - Preliminary Site and Floor Plans
  - “Before” photos
  - Statement of Potential Tax Liability
- ◆ Verification of Code Noncompliance (if applicable)
- ◆ Application fee: \$450 + \$80/dwelling unit up to an additional \$560

### Step 3: Application for Building Permits

Once an application for multi-family tax exemption has been submitted, the applicant can apply for building and construction permits related to the project. The applicant is responsible for obtaining applicable permits related to the project including the Final Certificate of Occupancy for the structure.

### Step 4: City Council Approval

Within 30 days of the Director's approval of the application, the applicant will enter into a contract with the City, subject to approval by **resolution** of the City Council, regarding the terms and conditions of the project and the eligibility for the tax exemption.

After City Council approval, the **Agreement** and **Conditional Certificate of Tax Exemption** become effective on the date they are signed by the City Administrator. The Conditional Certificate of Exemption expires 3 years from the effective date unless an extension is granted.

### Step 5: Extension

If a multi-family project is not completed within the three year time period, an extension of up to two years may be granted provided the delay was due to circumstances beyond the control of the owner and the owner has been acting in good faith and with due diligence. There is a \$400 application fee.

### Step 6: Application - Final Certificate of Tax Exemption

Upon project completion and issuance of a Certificate of Occupancy, the property owner can apply for a **Final Certificate of Tax Exemption**. In the case of condominiums, each property owner must submit a separate application and fee. Application forms are available from the Development Incentives Department. The application must include:

- ◆ Description of the work completed;
- ◆ Statement of rehabilitation or construction expenditure amounts for each unit as well as the entire project;
- ◆ Statement from the owner that the rehabilitation or new construction qualifies the property for the exemption;
- ◆ Statement that the project meets the affordable housing requirements, if applicable;
- ◆ Statement that the work was completed within the required 3 years from the effective date of the Conditional Certificate of Tax Exemption (unless an extension was granted); and
- ◆ Application fee of \$350.

Within 30 days of receipt of all materials required for a final certificate, the Director of Development Incentives will determine whether the completed work is consistent with the

contract and qualifies for the exemption. If the Director determines the work is consistent with the contract and qualifies for the exemption, within 10 days after making the determination, the City will file a Final Certificate of Tax Exemption with the County Auditor, with a copy to the County Assessor and City Clerk.

If the Director determines that the work is not consistent with the contract or otherwise does not comply with requirements for the tax exemption, including completion within 3 years and affordable housing requirements, the Director will notify the applicant in writing, stating the reasons why the Final Certificate of Tax Exemption will not be issued. The applicant may appeal this decision following the timeframes outlined under the "appeals" portion of this brochure.

### How Do I Renew the Certificate Each Year?

Within 30 days after the first anniversary of the date when the Final Certificate of Tax Exemption was filed and recorded with the Spokane County Auditor, and each year thereafter for the tax exemption period, each property owner must file an annual report form with the Development Incentives Department regarding the current occupancy, use and affordability of the property and describing any improvements or changes that have since been made to the property. Failure to submit the annual report, or changing the use from residential may result in cancellation of the tax exemption.

### What About Appeals?

An applicant may appeal the denial of an application for **Conditional Certificate of Exemption** within 30 days from receipt of the written denial from the Director of Development Incentives. The Spokane City Council hears this type of appeal. The City Council's decision on the appeal is final.

An applicant may appeal the decision not to issue a **Final Certificate of Exemption** within 30 days from receipt of the written decision of the Director of Development Incentives. The City Hearing Examiner hears this type of appeal. The Hearing Examiner's decision on the appeal may be appealed to Superior Court within 30 days.

### Cancellation of Tax Exemption:

An applicant may appeal the Director's decision to cancel the tax exemption due to non-compliance with the terms of the contract or the provisions of the tax exemption program. The appeal must be filed with the city clerk within 30 days from receipt of the cancellation notice. The City Hearing Examiner hears the appeal on a decision to cancel the tax exemption. The Hearing Examiner's decision on the appeal may be appealed to Superior Court within 30 days of the Hearing Examiner's written decision.

For more information, contact: **Teri Stripes**

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